

ORIGINAL

NEW APPLICATION



0000095868

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

2009 APR 21 A 10:00

KRISTIN K. MAYES, Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

AZ CORP COMMISSION
DOCKET CONTROL

In the matter of:

DOCKET NO. S-20669A-09-0187

Robert W. Mangold and Michelle M
Mangold, husband and wife;

NOTICE OF OPPORTUNITY FOR HEARING
REGARDING PROPOSED ORDER TO
CEASE AND DESIST, ORDER FOR
RESTITUTION, FOR ADMINISTRATIVE
PENALTIES, AND FOR OTHER
AFFIRMATIVE ACTION

One Source Mortgage & Investments, Inc.,
an Arizona corporation;

Strategic Equity Investments, LLC, an
Arizona limited liability corporation;

Respondents.

NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING

EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that Respondents Robert W. Mangold, One Source Mortgage & Investments, Inc. and Strategic Equity Investments, LLC have engaged in acts, practices, and transactions that constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act").

I.

JURISDICTION

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

Arizona Corporation Commission
DOCKETED

APR 21 2009

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II.**RESPONDENTS**

2. Robert W. Mangold ("MANGOLD") is an individual residing in Maricopa County, Arizona. MANGOLD (CRD#1300709) is currently not employed by a securities dealer and has not been a registered securities salesman since January 2005.

3. MANGOLD is licensed by the Arizona Department of Insurance under license #110956 and d/b/a Insurance Affiliates of Arizona with a principal place of business in Phoenix, Arizona. Pursuant to the state of Arizona Department of Real Estate, MANGOLD is also a licensed real estate salesperson under license # SA508606000.

4. One Source Mortgage & Investments, Inc. ("OSMI") is a corporation incorporated in Arizona with its principal place of business in Scottsdale, Arizona.

5. Strategic Equity Investments, LLC ("SEI") is a limited liability company formed in Arizona with a principal place of business in Scottsdale, Arizona.

6. Pursuant to public records of the Commission, MANGOLD is the Chief Executive Officer and Director of OSMI and is the sole member of SEI.

7. MANGOLD, OSMI, and SEI may be referred to collectively as "Respondents."

8. At all relevant times, Michelle Mangold ("M. MANGOLD") was the spouse of Respondent MANGOLD. M. MANGOLD may be referred to as "Respondent Spouse." Respondent Spouse is joined in this action under A.R.S. § 44-2031(C) solely for purposes of determining the liability of the marital community.

9. At all relevant times, Respondent MANGOLD was acting for his own benefit and for the benefit or in furtherance of the marital community.

III.

FACTS

10. MANGOLD owned and operated the following websites:
<http://www.profitfromyourmortgage.com>; <http://www.foreclosuresinyourIRA.com>;
<http://buyforeclosuredeals.net>; and <http://www.strategicequityinvestments.com>. Each website was accessible by the general public through the Internet and the general public reviewed the offerings without password protection or restricted access.

11. MANGOLD, through his respective websites and/or personal solicitations, disclosed to Potential Arizona Investors ("PAI") and/or investors that he had been in the mortgage lending and/or real estate business for over 15 years, had authored various real estate investing books, and/or had a method to assist individuals to become cash millionaires within ten (10) years.

12. MANGOLD, individually or through his entities OSMI and SEI, offered multiple options for investment, mainly centered on investing home equity or cash to purchase real estate foreclosure property and the underlying mortgage note. The real estate foreclosure property would be rehabilitated to be rented or resold. The underlying mortgage note would be serviced to obtain interest payments due and/or the note resold for a profit.

13. MANGOLD, through his website that was available until September 2008 at <http://www.foreclosuresinyourira.com/InvestmentOptions.html>, solicited the general public, including the PAI and/or investor, by providing on the website under an Investments link, among other things, as follows:

"Here are the three investment options we offer:

1. **A 12% annual guaranteed rate of return** with a \$50,000 minimum investment for a two-year period. Interest is paid semi-annually on the anniversary date of the funds being received.
2. **A 14% annual guaranteed rate of return** with a \$75,000 minimum investment for a three-year period. Interest is paid semi-annually on the anniversary date of the funds being received.

- 1 3. Purchase properties directly from SEI. With a \$100,000 minimum
2 investment at 12% to 14%, you will receive a 3 day advance
3 notice to purchase before properties are made available to other
4 investors or homebuyers.

5 Generally, all properties are sold in our "advance notice" stage. Less than
6 10% of our homes make it to the open market. This is our way of rewarding
7 you for investing with us." (*Emphasis added*)

8 14. The website was available for all internet users to view the investment opportunities
9 and the investments' description, without password protection or restricted access. The website was
10 disabled on or around the end of September 2008.

11 15. The Respondents' main objective was explained under the website's homepage as
12 follows:

13 **"Who Are We?"**

14 One Source Mortgage & Investments, Inc and Strategic Equity Investments, LLC
15 (SEI) are in the business of assisting investors in acquiring REO/Foreclosed real
16 estate assets, providing asset consulting and marketing services as well as
17 participating in the sale or purchase of loan related property and/or real estate
18 assets.

19 [...]

20 With a vast network of bank and finance contacts throughout the US, Canada and
21 Latin America with experience in finance, real estate and real estate investment,
22 SEI is poised to offer valuable advice and consulting to investment clients of SEI.

23 Our mission is to create investment income for investors through discounted bulk
24 purchasing and reselling of REO's (Bank Owned Real Estate) or more commonly
25 referred to as "foreclosures". Profitability will be generated by buying packages of
26 REO's at deeply discounted prices direct from lending institutions and reselling
27 them at an increased, yet discounted price to a secondary market of wholesale
28 investors, individual investors or end-users.

29 REOs result when a legal foreclosure process is completed against a borrower in
30 default on the mortgage lien and thus reverts the title and deed back to the lending
31 institution holding the lien. This creates a non-recourse situation for the previous
32 owner. After the Bank takes possession of the property, the mortgage lien
33 disappears and the bank proceeds to an exit strategy.

1 This is where the SEI process takes over. With our strategic partnerships and
2 system, we offer savvy investors the opportunity to participate in a highly profitable
3 venture."

4 16. MANGOLD's other websites¹ <http://buyforeclosuredeals.net/> and
5 <http://www.strategicequityinvestments.com/> would display the opportunity as a banner or block
6 that stated, "**Double Your Money** every 5 years in your IRA with SAFE Fixed Rate Investments"
7 (*no emphasis added*) and when the banner or block was clicked on by a website visitor, the visitor
8 would be directed to the website <http://www.foreclosuresinyourira.com/> and be solicited for the
9 "Fixed Rate Investments" as described above.

10 17. The website frame at <http://www.foreclosuresinyourira.com/investmentoptions.html>
11 offered PAIs and/or investors assistance in setting up optional self-directed IRA accounts to
12 facilitate the investment opportunities.

13 18. MANGOLD is the registrant and administrative contact for the website
14 <http://www.foreclosuresinyourIRA.com>. (*No longer accessible*)

15 19. MANGOLD is the administrative and technical contact for the website
16 <http://www.strategicequityinvestments.com>. OSMI is the registrant.

17 20. MANGOLD is the administrative and technical contact for the website
18 <http://buyforeclosuredeals.net>. OSMI is the registrant. (*No longer accessible*)

19 21. Under the "Contact Us" frame of the website, it provided the shared business
20 contact information for SEI and OSMI, which were both based at the same address in Scottsdale,
21 Arizona.

22 22. From at least July 2006 to December 2007, MANGOLD, individually or through his
23 entities OSMI and SEI, offered and/or sold the various investment opportunities, within or from
24 Arizona, through personal or website solicitations. The various investment opportunities offered
25 and/or sold were (A) OSMI profit sharing agreements producing returns greater than 14%; (B) SEI
26 membership interests in an LLC, which each would derive returns based on the real estate

¹ See <http://buyforeclosuredeals.net/> and <http://www.strategicequityinvestments.com/> which appear to be mirror websites.

1 foreclosure property transactions; (C) OSMI notes; and (D) SEI notes. The Respondents raised a
2 total sum of at least **\$4,965,982.00** from investors.

3
4 **A. OSMI PROFIT SHARING AGREEMENT**

5 23. OSMI solicited Arizona investors through websites and at seminars where
6 MANGOLD was the presenter.

7 24. On or about July 2006, an Arizona investor visited the website
8 www.profitfromyourmortgage.com and thereafter contacted MANGOLD.

9 25. MANGOLD is the registrant and administrative contact for the website
10 <http://www.profitfromyourmortgage.com>. *(No longer accessible)*

11 26. A subsequent meeting in Arizona occurred between MANGOLD, acting
12 individually or on behalf of OSMI, and the investor. During the meeting an investment
13 opportunity was discussed and described.

14 27. MANGOLD stated that he had an inside track with banks because of the large
15 volume of business he did with them and thus he was able to purchase foreclosed real estate assets
16 ("REOs") at a discount and that such opportunities were not available to the general public.

17 28. On or about August 1, 2006, MANGOLD sold an unregistered security, in the form
18 of an investment contract, within or from Arizona. The agreement (titled as a "Profit Sharing
19 Agreement" on the document provided by MANGOLD) was executed by OSMI and the investor.
20 The agreement was signed by MANGOLD, on behalf of OSMI, as its president and CEO.

21 29. Under the terms of the Profit Sharing Agreement, the investor agreed to invest
22 money that would be used to purchase non-performing mortgage notes of REOs for a total of
23 \$100,000. MANGOLD represented that the REOs were discounted for sale as their total unpaid
24 principal balance was far greater than their sale price.

25 30. Under the terms of the Profit Sharing Agreement, OSMI and the investor agreed to
26 the following:

1 a) OSMI would service the notes, collect the monthly loan payments due,
2 and/or re-sell the pool of REO notes for a profit;

3 b) OSMI would be paid a monthly servicing fee for each property serviced and
4 would continue to service the assets until all of them were sold. The investor could not terminate
5 the servicing arrangement unless mutually agreed to by OSMI;

6 c) The investor would execute a durable and irrevocable power of attorney to
7 OSMI to authorize OSMI to sign on the investor's behalf with regards to all expenditures and
8 transactions related to the pool of REO notes;

9 d) The investor would "not subordinate these assets or sell these assets to any
10 party other than at OSMI's direction";

11 e) OSMI would provide to the investor a monthly accounting of any payments
12 due to the investor and the profit distribution would be provided to the investor the following
13 month after each property was sold;

14 f) OSMI would not subordinate the assets to any other party; and

15 g) The investor and OSMI would each receive 50% of the net profits.

16 31. MANGOLD selected and/or obtained the REOs without any investor input or
17 oversight. As part of the Profit Sharing Agreement, an attachment titled "Schedule A" was
18 included that listed the address location, city, state, unpaid principal balance, and sale price of each
19 REO property and related mortgage note that the investor's monies would be used to purchase.
20 Some REOs were obtained through the purchase of tax lien, tax deed sale or from Mortgage
21 Assistance Corporation, a Texas corporation that held title to certain REO properties.

22 32. MANGOLD also represented to the investor that a "deed" for each property would
23 secure the investment, that each deed would be executed and ownership would be titled in the
24 investor's name and/or that there was "no risk" since each deed would be in the investor's name.
25 The properties were detailed in the Schedule A submitted to the investor; however, not all (if even
26 any) of the properties listed in the Schedule A were placed in "deed" in the investor's name.

1 33. In at least one instance, multiple investors were provided a divided ownership
2 interest in the same underlying property securing the investment when they were provided a
3 Schedule A, which allegedly would detail the property that would that be placed in "deed" in the
4 investor's name, that contained a property that was provided to secure the investment of another
5 separate investor. The investor was not told that another investor had also been given title and/or
6 ownership interest in the same property.

7 34. In at least one instance, MANGOLD provided the investor with a report that
8 detailed or updated the status of the underlying properties. This report stated that certain properties
9 listed in the investor's Schedule A had been sold for a profit. Yet, the investor has not received any
10 share of the profits made.

11 35. MANGOLD failed to disclose to PAIs and/or investors that they could lose all or a
12 substantial amount of their investments since their security interests were not perfected, were
13 subordinate in priority, or that real estate valuations could depreciate below the purchase price of
14 the notes. In at least one instance, MANGOLD stated that there was no risk at all because the
15 investors would be secured.

16 36. MANGOLD represented to the investor that the term of the Profit Sharing
17 Agreement would be 12 to 18 months; however, the investor did not receive any payment in
18 accordance with MANGOLD's representation or the terms of the Profit Sharing Agreement.

19 37. MANGOLD, on behalf of OSMI, sold investment contracts to at least five (5)
20 investors, within or from Arizona, for a total of **\$500,000.00**.

21 38. The investment contracts are not registered with the Commission.

22 39. At all times relevant, OSMI was not a registered dealer and MANGOLD was not a
23 registered salesman with the Commission.

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B. SEI MEMBERSHIP INTERESTS IN AN LLC

40. From on or about July 2006 to August 2007, MANGOLD, on behalf of SEI, offered and sold unregistered securities, in the form of investment contracts, within or from Arizona for a total of at least **\$2,175,482.00**.

41. Investors were offered membership interests into certain Texas limited liability companies (LLC) in which SEI was a member and manager. Each investor was made a member of the LLC and profits were to be paid out to each investor proportionate to their percentage of contribution. At least four (4) such LLCs were established and interests were sold to at least 11 investors.

42. The LLC would pool the investor money to purchase non-performing mortgage notes of REOs.

43. Concurrent with the LLC operating agreement, a Servicing Agreement was included as an attachment, which stated that the LLC was engaging SEI to service all the REOs purchased by the LLC.

44. MANGOLD applied his experience and expertise in selecting and choosing which REOs to acquire. In some instances, these assets were already chosen by MANGOLD prior to the investor's investment and participation as an LLC member, as evidenced by an "Exhibit B Asset List" included with the LLC operating agreement that listed a series of REO properties that purportedly secured the investments.

45. An LLC operating agreement was provided to PAIs and/or investors that detailed the rights of the parties. The LLC operating agreement contained the following:

- a) Management of the LLC is vested in the Manager;
- b) SEI is the Manager;
- c) As Manager, SEI has the authority to:
 - 1. Enter into and execute all agreements, contracts, and related documents to run the business;

2. Carry out the business of the LLC;
3. Enter into insurance contracts for the LLC;
4. Employ people and set such compensation; and
5. "To sell assets to another investor as well as maintain servicing and/or obtain other incentives as deemed in the best interest of the company."

d) The Members were given limited powers, such as modifying or amending the operating agreement and Servicing Agreement; however, such actions required unanimous consent of all members and thus SEI, as a member, could block or reject such attempts.

46. The LLC operating agreement was signed by MANGOLD, on behalf of SEI, as its president. SEI is also listed as "Member and Manager" on the signature page.

47. Furthermore, pursuant to the Servicing Agreement, the investors relied on SEI to, among other things:

- a) Manage, operate, control, rent and lease the REOs;
- b) Contract or make all necessary repairs;
- c) Collect all payments due;
- d) Inspect the properties and evict tenants as needed; and
- e) Provide periodic reporting.

48. The "Exhibit B Asset List" generally provided the address, city, state, valuation and unpaid principal balance of the underlying REO properties.

49. All the REO properties are located outside the state of Arizona. In at least one instance, the investors are located in Arizona and California and the 28 REO properties are all located in various cities in Michigan.

50. SEI did not provide documentation to investors that evidenced the investors' title and/or perfected security interests in the REO properties.

51. MANGOLD, individually or on behalf of SRI, described the investment as safe; however, MANGOLD and SEI failed to disclose to investors that they could lose all or a

substantial amount of their investments since the debt instruments held by the LLC, in which the investors had an ownership interest, were not secured or that the security interest was not perfected.

52. The investment contracts are not registered with the Commission.

53. At all times relevant, SEI was not a registered dealer and MANGOLD was not a registered salesman with the Commission.

C. OSMI NOTES

54. From at least August 4, 2006 to December 14, 2006, MANGOLD, on behalf of OSMI, offered or sold unregistered securities in the form of notes (titled as "Promissory Note" on the documentation), within or from Arizona.

55. The OSMI notes stated an annual rate of return of 12% and were sold to at least seven (7) investors for a total of **\$471,500.00**.

56. MANGOLD, on behalf of OSMI, represented that the OSMI note repayments would be derived from the purchase, servicing, and/or resell of REOs. In addition, MANGOLD discussed the safety of the purchase of the note since it would be secured by real property that would be detailed in a security agreement.

57. The note agreement contained, among other things, the following:

- a) OSMI is the Borrower of the note;
- b) The investor is the Lender of the note;
- c) The term of the note is two (2) or three (3) years; and
- d) A term that stated, "Security of Payment: A security interest in Instruments as per Security Agreement of even dates herewith between the parties hereto as in Exhibit A."

58. MANGOLD signed the documents as president and CEO of OSMI.

59. The "Exhibit A" (sometimes titled "Schedule A") is a document that listed, in general, the address, city, state, unpaid principal balance, and a valuation of the underlying REO property.

1 60. Concurrent with the note or shortly thereafter, MANGOLD, on behalf of OSMI,
2 executed a document titled "Security Agreement," which among other things, contained the
3 following:

- 4 a) OSMI is the Debtor;
- 5 b) Investor is the Secured Party on the REOs contained in Exhibit A;
- 6 c) The amount secured, as listed in the Exhibit A, is equal to or greater than the
7 note amount;
- 8 d) "Debtor owns the Collateral and has the authority to grant this security
9 interest, free from any setoff, claim, restriction, security interest, or encumbrance except liens for
10 taxes not yet due";
- 11 e) Debtor would, "[s]ign and deliver to Secured Party any documents or
12 instruments that Secured Party considers necessary to obtain, maintain, and perfect this security
13 interest in the Collateral";
- 14 f) Debtor would not "[s]ell, transfer, or encumber any of the Collateral without
15 paying off the [investor's] underlying Note within 30 days"; and
- 16 g) "[...], the Debtor is not allowed to substitute collateral without first
17 obtaining written permission from the Secured Party."

18 61. However, OSMI did not always have ownership and/or a perfected security interest
19 in the underlying REO property at the time of executing the Security Agreement with the investor
20 and thus could not provide ownership and/or perfected security interest to the investors.

21 62. To date, the investors have not received any documents evidencing their title to the
22 underlying properties.

23 63. In at least one instance, MANGOLD on behalf of OSMI, provided multiple
24 investors a divided interest in the same REO property securing the investment when he provided an
25 investor a security agreement and "Exhibit A" that contained a property that was provided to
26

1 another separate investor also securing the other investor's investment. The investor was not told
2 that another investor also had had been given a security interest in the same property.

3 64. MANGOLD failed to disclose to PAIs and/or investors that they could lose all or a
4 substantial amount of their investments since their security interests were not perfected, were
5 subordinate in priority, or that real estate valuations could depreciate below the purchase price of
6 the notes.

7 65. The notes are not registered with the Commission.

8 66. At all times relevant, OSMI was not a registered dealer and MANGOLD was not a
9 registered salesman with the Commission.
10

11 **D. SEI NOTES**

12 67. From at least January 2, 2007 to December 10, 2007, MANGOLD, on behalf of
13 SEI, offered or sold unregistered securities in the form of notes (titled as "Promissory Note" on the
14 documentation), within or from Arizona.

15 68. The SEI notes, with a promised annual rate of return of twelve percent (12%) or
16 fourteen percent (14%), were sold to at least twenty (20) investors for a total of at least
17 \$1,819,000.00, within or from Arizona.

18 69. MANGOLD, on behalf of SEI, represented that the SEI note repayments would be
19 derived from the purchase, servicing, and/or resell of REOs. In addition, MANGOLD discussed the
20 safety of the purchase of the note since it would be secured by real property that would be detailed
21 in a security agreement.

22 70. The note agreement contained, among other things, the following:

- 23 a) SEI is the Borrower of the note;
24 b) The investor is the Lender of the note;
25 c) The term of the note is two (2) or three (3) years; and
26

1 d) “Security of Payment: A security interest in Instruments as per Security
2 Agreement of even dates herewith between the parties hereto as in Exhibit A.”

3 71. MANGOLD signed the documents as president and CEO of SEI.

4 72. The “Exhibit A” (sometimes also titled “Schedule A”) is a document that listed, in
5 general, the address, city, state, unpaid principal balance, and a valuation of the underlying REO
6 property.

7 73. Concurrent with the note or shortly thereafter, MANGOLD, on behalf of SEI,
8 executed a document titled “Security Agreement,” which among other things, contained the
9 following:

10 a) SEI is the Debtor;

11 b) Investor is the Secured Party on the REOs contained in Exhibit A;

12 c) The amount secured, as listed in the Exhibit A, is greater than or equal to the
13 note amount;

14 d) “Debtor owns the Collateral and has the authority to grant this security
15 interest, free from any setoff, claim, restriction, security interest, or encumbrance except liens for
16 taxes not yet due”;

17 e) Debtor would, “[s]ign and deliver to Secured Party any documents or
18 instruments that Secured Party considers necessary to obtain, maintain, and perfect this security
19 interest in the Collateral”;

20 f) Debtor would not “[s]ell, transfer, or encumber any of the Collateral without
21 paying off the [investor’s] underlying Promissory Note within 30 days”; and

22 g) “[...], the Debtor is not allowed to substitute collateral without first
23 obtaining written permission from the Secured Party.”

24 74. However, SEI did not always have ownership and/or a perfected security interest in
25 the underlying same REO property at the time of executing the Security Agreement with the
26 investor and thus could not provide ownership and/or perfected security interest to the investors.

76. In at least one instance, MANGOLD on behalf of SEI, provided multiple investors a divided interest in the same REO property securing the investment when he provided an investor a security agreement and "Exhibit A" that contained a property that was provided to another separate investor also securing the other investor's investment. The investor was not told that another investor also had had been given a security interest in the same property.

77. MANGOLD failed to disclose to PAIs and/or investors that they could lose all or a substantial amount of their investments since their security interests were not perfected, were subordinate in priority, or that real estate valuations could depreciate below the purchase price of the notes.

78. The notes are not registered with the Commission.

79. At all times relevant, SEI was not a registered dealer and MANGOLD was not a registered salesman with the Commission.

IV.

VIOLATION OF A.R.S. § 44-1841

(Offer or Sale of Unregistered Securities)

80. Respondents offered or sold securities in the form of investment contracts and notes, within or from Arizona. Specifically:

a) From at least July 2006 to December 2007, MANGOLD, on behalf of OSMI, offered and/or sold unregistered securities in the form of investment contracts, within or from Arizona, through personal or website solicitation.

b) From on or about July 2006 to August 2007, MANGOLD, on behalf of SEI, offered and sold unregistered securities, in the form of investment contracts, within or from Arizona.

1 c) From at least August 4, 2006 to December 14, 2006, MANGOLD, on behalf
2 of OSMI, offered or sold unregistered securities in the form of notes, within or from Arizona.

3 d) From at least January 2, 2007 to December 10, 2007, MANGOLD, on behalf
4 of SEI, offered or sold unregistered securities in the form of notes, within or from Arizona.

5 81. The securities referred to above were not registered pursuant to Articles 6 or 7 of the
6 Securities Act.

7 82. This conduct violates A.R.S. § 44-1841.

8 **V.**

9 **VIOLATION OF A.R.S. § 44-1842**

10 **(Transactions by Unregistered Dealers or Salesmen)**

11 83. Respondents offered or sold securities within or from Arizona while not registered as
12 dealers or salesmen pursuant to Article 9 of the Securities Act.

13 84. OSMI is not a registered dealer, SEI is not a registered dealer, and MANGOLD is
14 not a registered salesman with the Commission. MANGOLD has not been a registered salesman
15 since January 2005.

16 85. This conduct violates A.R.S. § 44-1842.

17 **VI.**

18 **VIOLATION OF A.R.S. § 44-1991**

19 **(Fraud in Connection with the Offer or Sale of Securities)**

20 86. In connection with the offer or sale of securities within or from Arizona,
21 Respondents directly or indirectly: (i) employed a device, scheme, or artifice to defraud; (ii) made
22 untrue statements of material fact or omitted to state material facts that were necessary in order to
23 make the statements made not misleading in light of the circumstances under which they were
24 made; or (iii) engaged in transactions, practices, or courses of business that operated or would
25 operate as a fraud or deceit upon offerees and investors. The conduct includes, but is not limited to,
26 the following:

1 a) MANGOLD represented to the “profit sharing” investor that a “deed” for
2 each property would secure the investment, that each deed would be executed and ownership titled
3 in the investor’s name and/or that there was “no risk” since each deed would be in the investor’s
4 name. The properties were detailed in the Schedule A submitted to the investor; however, not all (if
5 even any) of the properties listed in the Schedule A were placed in “deed” in the investor’s name;

6 b) MANGOLD failed to disclose to at least one “profit sharing” investor that he
7 would be provided with a divided interest in the same underlying property securing the investment
8 when he was provided a Schedule A, which allegedly would detail the property that would that be
9 placed in “deed” in the investor’s name, that contained a property that was provided to another
10 separate investor. The investor was not told that another investor had also been given title and/or
11 ownership interest in the same property;

12 c) MANGOLD failed to disclose to PAIs and/or investors that they could lose
13 all or a substantial amount of the investments since their security interests were not perfected, were
14 subordinate in priority, or that real estate valuations could depreciate below the purchase price of
15 the note. In at least one instance, MANGOLD stated that there was no risk at all because the
16 investors would be secured;

17 d) In at least one instance, MANGOLD, on behalf of OSMI, provided multiple
18 investors a divided interest in the same REO property securing the investment when he provided an
19 investor a security agreement and “Exhibit A” that contained a property that was provided to
20 another separate investor also securing the other investor’s investment. The investor was not told
21 that another investor also had had been given a security interest in the same property; and

22 87. In at least one instance, MANGOLD, on behalf of SEI, provided multiple
23 investors a divided interest in the same REO property securing the investment when he provided
24 an investor a security agreement and “Exhibit A” that contained a property that was provided to
25 another separate investor also securing the other investor’s investment. The investor was not told
26 that another investor also had had been a security interest in the same property.

1 88. This conduct violates A.R.S. § 44-1991.

2 **VII.**

3 **REQUESTED RELIEF**

4 The Division requests that the Commission grant the following relief:

5 89. Order Respondents to permanently cease and desist from violating the Securities
6 Act, pursuant to A.R.S. § 44-2032;

7 90. Order Respondents to take affirmative action to correct the conditions resulting from
8 Respondents' acts, practices, or transactions, including a requirement to make restitution pursuant to
9 A.R.S. § 44-2032;

10 91. Order Respondents to pay the state of Arizona administrative penalties of up to five
11 thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;

12 92. Order that the marital community of MANGOLD and Respondent Spouse be subject
13 to any order of restitution, rescission, administrative penalties, or other appropriate affirmative
14 action pursuant to A.R.S. § 25-215; and

15 93. Order any other relief that the Commission deems appropriate.

16 **VIII.**

17 **HEARING OPPORTUNITY**

18 Each respondent, including Respondent Spouse, may request a hearing pursuant to A.R.S.
19 § 44-1972 and A.A.C. R14-4-306. **If a Respondent or a Respondent Spouse requests a hearing,**
20 **the requesting respondent must also answer this Notice.** A request for hearing must be in writing
21 and received by the Commission within 10 business days after service of this Notice of Opportunity
22 for Hearing. The requesting respondent must deliver or mail the request to Docket Control, Arizona
23 Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007. Filing instructions may
24 be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web
25 site at <http://www.azcc.gov/divisions/hearings/docket.asp>.
26

1 If a request for a hearing is timely made, the Commission shall schedule the hearing to begin
2 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the
3 parties, or ordered by the Commission. If a request for a hearing is not timely made the Commission
4 may, without a hearing, enter an order granting the relief requested by the Division in this Notice of
5 Opportunity for Hearing.

6 Persons with a disability may request a reasonable accommodation such as a sign language
7 interpreter, as well as request this document in an alternative format, by contacting Shaylin A.
8 Bernal, ADA Coordinator, voice phone number 602/542-3931, e-mail sabernal@azcc.gov.
9 Requests should be made as early as possible to allow time to arrange the accommodation.

10 IX.

11 ANSWER REQUIREMENT

12 Pursuant to A.A.C. R14-4-305, if a Respondent or a Respondent Spouse requests a hearing,
13 the requesting respondent must deliver or mail an Answer to this Notice of Opportunity for
14 Hearing to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix,
15 Arizona 85007, within 30 calendar days after the date of service of this Notice. Filing instructions
16 may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet
17 web site at <http://www.azcc.gov/divisions/hearings/docket.asp>.

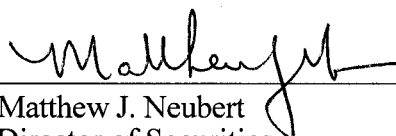
18 Additionally, the answering respondent must serve the Answer upon the Division.
19 Pursuant to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-
20 delivering a copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix,
21 Arizona, 85007, addressed to Phong (Paul) Huynh.

22 The Answer shall contain an admission or denial of each allegation in this Notice and the
23 original signature of the answering respondent or respondent's attorney. A statement of a lack of
24 sufficient knowledge or information shall be considered a denial of an allegation. An allegation
25 not denied shall be considered admitted.
26

1 When the answering respondent intends in good faith to deny only a part or a qualification
2 of an allegation, the respondent shall specify that part or qualification of the allegation and shall
3 admit the remainder. Respondent waives any affirmative defense not raised in the Answer.

4 The officer presiding over the hearing may grant relief from the requirement to file an
5 Answer for good cause shown.

6 Dated this 21 day of April, 2009.

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9 Matthew J. Neubert
Director of Securities

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